

ORIGINAL

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS

02 SEP -9 PM 4: 54

Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

:
:
:
: Docket OST-00-7668
:
:
:
:
:

**SUPPLEMENT NO. 1 TO
APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

Communications with respect to this document should be sent to:

John R. Nadolny
Senior Vice President and
General Counsel
BOSTON-MAINE AIRWAYS CORP.
Pease International Tradeport
14 Aviation Avenue
Portsmouth, NH 03801
(603) 766-2000 (tel)
(603) 766-2094 (fax)

Nathaniel P. Breed, Jr.
SHAW PITTMAN LLP
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8078 (tel)
(202) 663-8007 (fax)

Attorneys for
BOSTON-MAINE AIRWAYS CORP.

September 9, 2002

1245048 v3

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

:
:
:
: Docket OST-00-7668
:
:
:
:

September 9, 2002

**SUPPLEMENT NO. 1 TO
APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

Boston-Maine Airways Corp., d/b/a Pan Am Clipper Connection ("BMAC") hereby submits this Supplement No. 1 to the captioned application for the purpose of responding to certain questions and requests for additional documents contained in the September 5, 2002 request by the Department's U.S. Air Carrier Fitness Division (Attachment A, infra).

In response to the request of the Fitness Division, BMAC states as follows:

1. **Line of Credit Facility.** The reference on page 7 of BMAC's application to a line of credit facility in the amount of \$500,000 is erroneous. As indicated in Exhibit BMA-110, BMAC and its parent company have entered into a new Credit Line

Agreement dated August 1, 2002 in the amount of \$750,000. BMAC has made no drawings against that Credit Line Agreement to date.

2. **Balance Sheet.** The reference on page 9 of BMAC's application to BMAC's "most recent Balance Sheet, as of December 31, 2001" is erroneous. As shown in Exhibit BMA-104, BMAC's most recent Balance Sheet at the time of its application is as of June 30, 2002.

3. **Income Statement.** BMAC's Income Statement for the twelve months ended June 30, 2002 is contained in Exhibit BMA-S/1-1, infra.

4. **Pre-Operating Expenses.** In Exhibit BMA-103, the left-hand column reflects BMAC's projection of the total amount of pre-operating expenses which BMAC expects to incur in shifting from small-aircraft operations only to the limited interstate large-aircraft operations shown in Exhibit BMA-100. The figures in the right-hand column of Exhibit BMA-103 represent those pre-operating expenses (some of which have already been incurred and some not yet incurred) which have not yet been paid as of July 31, 2002. BMAC has incurred and paid a total of \$537,000 in large-aircraft pre-operating expenses as of July 31, 2002.

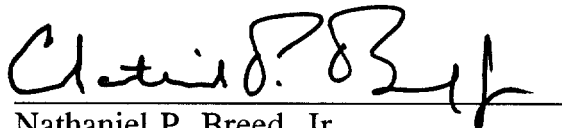
5. **PAA Financial Capability.** A current Balance Sheet for BMAC's parent company, Pan American Airlines, Inc. (PAA), as of July 31, 2002, is contained in Exhibit BMA-S/1-2 infra. A letter from PAA's Senior Vice President and Chief Financial Officer, Mr. Michael A. Holmes, confirming that PAA has substantial

resources on hand and available to it which are more than sufficient to enable PAA to support the \$750,000 Line of Credit facility established in favor of BMAC, is contained in Exhibit BMA-S/1-3, infra. If necessary, PAA will furnish third-party verification of its working capital resources under seal, accompanied by a Rule 12 motion to withhold that submission from public disclosure. PAA notes, however, that it was not required to supply such third-party verification of its financial capability, which is highly confidential, in the context of BMAC's application for initial certification, in which PAA had provided a \$500,000 Line of Credit facility to BMAC to support BMAC's financial fitness.

6. **Title 18 Certification.** A signed and notarized Title 18 Certification, executed by a senior officer of BMAC, is contained in Exhibit BMA-S/1-4, infra.

WHEREFORE, BMAC requests the Department to issue an amended Certificate of Public Convenience and Necessity authorizing BMAC to provide interstate air transportation of persons, property and mail, utilizing both small and large aircraft, as requested in this application.

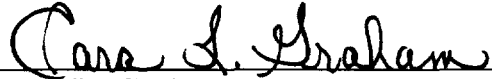
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nathaniel P. Breed, Jr.", written over a horizontal line.

Nathaniel P. Breed, Jr.
SHAW PITTMAN LLP
Attorneys for
BOSTON-MAINE AIRWAYS CORP.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Supplement No. 1 to Application of Boston-Maine Airways Corp. by messenger, telecopier transmission, or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.



Cara L. Graham

Washington, D.C.
September 9, 2002
1245048 v3



"Davis, Janet"
<Janet.Davis@ost.dot.gov>

09/05/2002 04:38 PM

To: "Nathaniel.Breed@shawpittman.com"
<Nathaniel.Breed@shawpittman.com>
cc: "Hall, Eugene M [FAA]" <Eugene.M.Hall@faa.dot.gov>
Subject: Boston-Maine Application, Docket OST-00-7668

Nat,

I have finished my initial review of Boston-Maine's application for amended certificate authority. I have several questions that need to be addressed before I can proceed further. Please respond in writing, to the docket, to each of the following:

1. On page 7 of the application you state that Boston-Maine has a \$500,000 line of credit facility from its owners. However, Exhibit BMA-106 and Exhibit BMA-110 indicate that the credit line is for \$750,000. Is the difference between number shown on page 7 and number shown in referenced exhibit because Boston-Maine has already drawn down \$250,000 of this credit line? Please explain.
2. On page 9 of the application you state that Boston-Maine's most recent balance sheet, as of December 31, 2001, is set forth in Exhibit BMA-104. However, Exhibit BMA-104 indicates that the balance sheet is as of June 30, 2002. Is the June 30 date shown on BMA-104 correct, or should it be December 31, 2001? If this balance sheet is as of December 31, 2001, please so state and provide a balance sheet as of June 30, 2002.
3. The income statements provided (Exhibit-105) cover calendar years 2000 and 2001. Please provide an income statement for the twelve months ended June 30, 2002.
4. Exhibit BMA-103 shows projected pre-operating expenses broken down into two columns, one labeled Total Projected Pre-Operating Expense (column 1), the other labeled Total Pre-Op Remaining Unpaid (column 2). With respect to this forecast, please state whether the expenses shown in column 1, but not in column 2, have already been paid, or whether Boston-Maine merely *anticipates* that it will have paid these expenses prior to commencement of large aircraft operations.
5. With respect to the line-of-credit that has been provided to Boston-Maine by its parent, PAA, please provide evidence (current balance sheet and independent third-party verification of all liquid assets) supporting PAA's financial ability to honor this commitment.
6. Please accompany Boston-Maine's response to the above with the certification required by Title 18.

Please provide the information requested above within 14 days of the date of this request.

Janet

BOSTON-MAINE AIRWAYS CORP.
INDEX TO SUPPLEMENT NO. 1 EXHIBITS

<u>Exh. No.</u>	<u>Title of Exhibit</u>
BMA-S/1-1	BMAC Income Statement for the twelve months ended June 30, 2002
BMA-S/1-2	PAA Balance Sheet as of July 31, 2002
BMA-S/1-3	Verification of PAA Working Capital Availability
BMA-S/1-4	Title 18 Certification

BOSTON-MAINE AIRWAYS CORP.
Profit & Loss Statement
July 1, 2001 – June 30, 2002

Operating Revenues:

Passenger (Scheduled)	2,552,073
Passenger (Charter)	1,336,519
Property (Charter)	23,300
Misc. Operating Revenue	5,458
Total Operating Revenue	<u>3,917,350</u>

Operating Expenses:

Flying Operations	2,261,802
Maintenance	1,848,897
Passenger Service	135,688
Aircraft & Traffic Servicing	525,312
Promotion & Sales	50,693
General & Administrative	1,109,267
Depreciation	244,916
Total Operating Expense	<u>6,182,575</u>

Non-Operating Income & Expense:

Interest on Long term Debt	-0-
Other Interest Expense	-0-
Income Before Income Taxes	(2,265,225)
Income Taxes	-0-
Net Income (Loss)	(2,265,225)

PAN AMERICAN AIRLINES, INC.
Balance Sheet
June 30, 2002

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	196,788
Accounts Receivable (net)		1,169,494
Inventories		2,549,013
Prepaid Expenses & Deposits		201,000
Total Current Assets		<u>4,116,295</u>

Fixed Assets (at cost):

Airframes	740,210
Flight Equipment	3,987,821
Buildings & Improvements	1,420,262
Ground Equipment	2,445,922
Maintenance Equipment	1,229,122
Furniture & Fixtures	572,998
Leasehold Improvements	5,829,688

16,226,023
(4,022,727)

Less Accumulated Depreciation

Net Fixed Assets 12,203,296

Assets Held For Resale 2,000,000

Deferred Charges 7,865,327

Intangible Assets 500,000

\$ 26,684,918

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities:

Accounts Payable	\$ 4,666,604
Accrued Expenses	2,242,905
Unearned Income	2,937,104
Total Current Liabilities	<u>9,846,613</u>

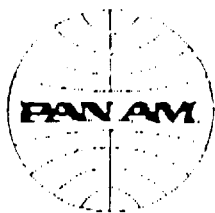
Long Term Liabilities:

Due to Related Party	31,777,932
----------------------	------------

Stockholders' Equity (Deficit):

Common Stock (10,000 shares authorized, 1497 shares issued and outstanding, \$3,000 par value)	4,491,000
Preferred Stock (36,000 shares authorized, 36,000 Shares issued and outstanding, \$1,000 par value)	36,000,000
Accumulated Deficit	(55,430,627)
Total Stockholder' Equity (Deficit)	<u>(14,939,627)</u>

Total Liabilities and Stockholder Equity (Deficit)	\$ 26,684,918
--	---------------



Pan American Airlines, Inc.
14 Aviation Avenue
Portsmouth, NH 03801
(603) 766-2000

September 9, 2002

Ms. Janet A. Davis
Air Carrier Fitness Division
Office of Aviation Analysis
U.S. Department of Transportation
400 Seventh Street, SW Room 6401
Washington, D.C. 20590


Re: Application of Boston-Maine Airways Corp.
For Certificate Amendment - OST-00-7668

Dear Ms. Davis:

This letter has been prepared on behalf of Pan American Airlines, Inc., parent company of Applicant Boston-Maine Airways Corp., in order to confirm the ability of Pan American Airlines, Inc. to support the \$750,000 credit facility established in favor of Boston-Maine Airways Corp. As a holding company, Pan American Airlines, Inc. does not, as a prudent matter of business, maintain large balances of idle cash or equivalent assets. However, between its strong private capitalization, the cash flow of its various subsidiary operations, including Pan American Airways Corp. and FBO operator Pan Am Services, its substantial inventory of assets held for resale, and its access to capital in the marketplace, Pan American Airlines, Inc. is well positioned to support the credit facility in the unlikely event that it might ever be called upon. I say unlikely, because I can also confirm by this letter that in the two years since filing for its initial authority from the Department of Transportation, Boston-Maine Airways Corp. has never drawn a single dollar from the \$500,000 credit facility which was established and accepted by the Department as part of that earlier certification.

I trust that this verification assists you in advancing Boston-Maine Airways' Application.

Sincerely,


Michael A. Holmes
Senior Vice President &
Chief Financial Officer

Application of

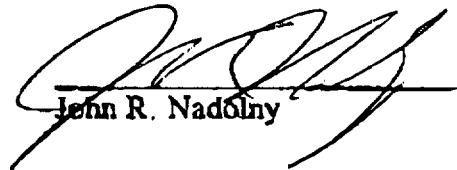
BOSTON-MAINE AIRWAYS CORP.

Docket OST-00-7668

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

CERTIFICATION

Pursuant to Title 18 United States Code Section 1001, I, John R. Nadolny, in my individual capacity and as Senior Vice President, General Counsel and Secretary of the applicant, have not in any manner knowingly and willfully falsified, concealed or covered up any material fact or made any false, fictitious, or fraudulent statement or knowingly used any documents which contain such statements in connection with the preparation, filing or prosecution of this application. I understand that an individual who is found to have violated the provisions of 18 U.S.C. 1001 may be fined not more than \$10,000 or imprisoned not more than five years, or both.


John R. Nadolny

State of New Hampshire)
County of Rockingham)

Subscribed and sworn to before me this 9th day of September, 2002.


Notary Public

M. Blanche Abbott
Notary Public
My Commission Expires
May 12, 2004

SERVICE LIST (Boston-Maine Airways SJU-STT)

John R. Nadolny
Senior Vice President and
General Counsel
BOSTON-MAINE AIRWAYS CORP.
Pease International Tradeport
14 Aviation Avenue
Portsmouth, NH 03801

Nathaniel P. Breed, Jr.
SHAW PITTMAN LLP
2300 N Street, N.W.
Washington, D.C. 20037

Mr. Anthony Liquori, Manager
Flight Standards District Office 5
FEDERAL AVIATION ADMINISTRATION
2 Al McKay Avenue
Portland, ME 04102

Mark Rowell
Airport Manager
PEASE INTERNATIONAL
TRADEPORT
36 Airline Avenue
Portsmouth, NH 03801

Fernando Miranda
Airport Manager
LUIS MUNOZ MARIN INT'L AIRPORT
P.O. Box 362829
San Juan, PR 00936-2829

Carl B. Nelson, Jr.
Associate General Counsel
AMERICAN AIRLINES, INC.
1101 17th Street, N.W., Suite 600
Washington, DC 20036

Daniel A. Wolf, President
CAPE AIR
Barnstable Municipal Airport
660 Barnstable Road
Hyannis, MA 02601

Jeffrey A. Manley
WILMER, CUTLER & PICKERING
2445 M Street, N.W.
Washington, DC 20037-1420

Joel Stephen Burton
Donald T. Bliss
O'MELVENY & MYERS LLP
555 13th Street, N.W., Suite 500 West
Washington, DC 20004